

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Chief Financial Officer**

Natwar M. Gandhi  
Chief Financial Officer



**MEMORANDUM**

**TO:** The Honorable Linda W. Cropp  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer

**DATE:** September 23, 2003

**SUBJECT:** Fiscal Impact Statement: "Comprehensive Childhood Lead Poisoning Prevention Act of 2003"

**REFERENCE:** Draft Legislation – Bill Number Not Available

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**Conclusion**

Funds are not sufficient in the FY 2004 through FY 2007 proposed budget and financial plan to implement the proposed legislation. **The proposed legislation would result in \$3.10 million in additional expenditures and foregone revenue for the District in FY 2004 and a total of \$12.34 million in FY 2004 through FY 2007.**

Anti-deficiency laws, 31-USCA § 1341 (2000), prohibit District officers and employees from exceeding agency appropriations in any fiscal year. Should the Department of Health (DOH) determine that funding is available to absorb the additional costs in FY 2004, then the net impact would be zero for that year. For subsequent years, the additional expenditure would need to be included as budgeted expenditures.

The proposed legislation would establish a dedicated non-tax (O-type) fund account (Lead Poisoning Prevention Fund), thus dedicating revenues generated by the program to fund the program's operations. It is the policy of the District government to limit this practice to cases where the program funding cannot be properly accommodated through the local fund budget process. Dedicated revenues, including O-type funds, do not promote sound budgeting and spending practices because they reduce the District's flexibility to address current and future priorities, eroding the integrity of the General Fund.

## Background

The proposed legislation would establish duties for rental property owners, foster care home owners, child development facility owners, and other pre-school and kindergarten facilities and schools built prior to 1978 to ensure that children under six years of age are not exposed to lead.<sup>1</sup> It would establish a Lead Poisoning Prevention Fund that would provide low interest loans and grants to eligible individuals, develop a lead-free property registry and provide tax credits for property owners who implement lead hazard control activities.

The proposed legislation would create a Lead Poisoning Prevention Commission to study and collect information on lead poisoning and amend current rules regulating lead. It also would establish enforcement mechanisms for lead paint violations including civil and criminal fines and penalties.

## Financial Plan Impact

The proposed legislation would result in \$3.10 million in additional expenditures and foregone revenue for the District in FY 2004 and a total of \$12.34 million for the period FY 2004 through FY 2007. DOH would require additional, unbudgeted personal services and non-personal service costs to implement the proposed legislation. Additionally, the proposed legislation will also result in forgone tax revenue.

The proposed legislation would require DOH to hire a database clerk to maintain the registry and a fund manager to administer the Lead Poisoning Prevention Fund (the Fund). The Fund would provide low-interest loans, interest-free forgivable loans and grants for qualified property owners who undertake lead hazard control activities or essential maintenance practices. The personal service (PS) costs detailed in the table below assume fringe benefits and an increase for inflation in each year.

	Personal Services (PS) Costs				4-Year Total
	FY 2004	FY 2005	FY 2006	FY 2007	
Database Clerk (7/1)	\$29,225	\$30,102	\$31,005	\$31,935	\$122,267
Fund Manager (11/1)	\$42,726	\$44,008	\$45,328	\$46,688	\$178,750
<b>Total</b>	<b>\$71,951</b>	<b>\$74,110</b>	<b>\$76,333</b>	<b>\$78,623</b>	<b>\$301,017</b>

The proposed legislation would also require DOH to incur non-personal service (NPS) costs. These costs include printing and distribution costs, as well as contractual costs for the development of the registry, fund and brochures. These costs are detailed in the table

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<sup>1</sup> The proposed bill does not apply to property owned or operated by the federal or district government or public or quasi-public corporations which are already subject to lead standards equal to or more stringent than the standards that would be established by this bill. For example, DC Public Schools are required under current law (D.C. Code 10-702) to ensure that schools are lead safe for children.

below and assume inflationary increases. The contractual costs are not on going and reflect one-time start-up development costs.

<b>Non-Personal Services (NPS) Costs</b>					
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>4-Year Total</b>
Printing and Distribution	\$2,533	\$2,601	\$2,671	\$ 2,743	\$10,548
Registry, fund & brochure development (contract)	\$30,000	\$0	\$0	\$0	\$30,000
<b>Total</b>	<b>\$32,533</b>	<b>\$2,601</b>	<b>\$2,671</b>	<b>\$ 2,743</b>	<b>\$40,548</b>

This legislation provides real property tax credits not to exceed \$3,500 per year for lead paint abatement. The total real property tax credit amount cannot exceed 50% of the cost of the abatement. If the total cost of abating household lead is more than \$7,000, an additional \$1,500 in real property tax credits can be taken each year, for up to three years. As a result the maximum real property tax credit is \$8,000 over four years. This estimate assumes there are 8,520 homes that will take advantage of the Hazard Control/Abatement during its 10-year existence.<sup>2</sup> In addition, this estimate assumes that the average tax credit would be taken in one year and would be \$3,500.

The amount of revenue foregone as a result of the lead hazard reduction tax credits for participating rental property owners totals approximately \$3 million per year.

<b>Estimated Foregone Revenue (Tax Credits)</b>				
<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>4- Year Total</b>
\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$12,000,000

The Department of Housing and Community Development would finance family relocation, and provide low interest and interest free loans for property owners to eliminate hazardous lead conditions with federal Community Development Block Grant Program funds.

The following table presents a summary of the net impacts of the proposed legislation on the FY 2004 through FY 2007 budget and financial plan.

<b>Estimated Impact to the Financial Plan</b>					
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>4-Yr Total</b>
Personal Services (PS) Costs	\$71,951	\$74,110	\$76,333	\$78,623	<b>\$301,017</b>
Non-Personal Services (NPS) Costs	\$32,533	\$2,601	\$2,671	\$2,743	<b>\$40,548</b>
Foregone Tax Revenue (Tax Credit)	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	<b>\$12,000,000</b>
<b>Total</b>	<b>\$3,104,484</b>	<b>\$3,076,711</b>	<b>\$3,079,004</b>	<b>\$3,081,366</b>	<b>\$12,341,565</b>

<sup>2</sup> 8,520 is based on the number of rental properties constructed prior to 1978, the likely percentage of those properties containing lead, and the period over which lead hazard reduction would occur.